

ST. ELIAS MINES [TSX-V: SLI]

Drill Program to Ramp Up on Tesoro Gold Property; Setting initial price target and NAVPS estimate

June 22, 2010

Rating: *Speculative Buy*

Market price (6/15/10) \$ 1.40

Target Price \$ 2.70

(18+ months)

Statistics

(As of Feb 28, 10 except where noted)

Symbol / Exchange	SLI / TSX-V
52 Week Low/High	0.11 / 2.40
Adanac Molybdenum (TSX:AUA)	660,000
Market Cap (6/15/10)	\$ 128,566,241
Shares Outstanding	91,833,029

Cash	\$ 599,000
Assets	\$ 1,415,000
LT Debt	\$ -
Equity	\$ 1,379,000
Book Value/share	\$ 0.02

Last Twelve Months

Revenue	\$ -
Cash Used in Operations	-\$ 1,322,000
EPS	-\$ 0.045

- source: CapitalIQ and company filings

Key Estimates

Net Asset Value per shr (NAVPS) \$ 2.16

Gold Reserve Est. (oz) [^] 3,179,196

[^] see Reserve Extrapolation Methodology on pg.3 of this report for details

Avg. Resource Grade (g/T) 29

Molybdenum Resource Est.(lbs) 14,709,055

FD Shares Out. (at 03/31/10)* \$ 111,086,839

* reflects warrant exercise, and equity capital raise of \$2.4M @ \$1.15/shr

- source: management guidance and GS estimates

Valuation

Price / NAVPS Est. 0.65

Current Discount to NAVPS 35%

Market Cap / Gold Resource Est. 40.4

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➤ **St. Elias Mines Ltd. (SLI), a development stage company, is engaged in the acquisition, exploration, and development of natural resource properties for sale in B.C, Canada and Peru.** It primarily explores for gold and silver ores. SLI's primary strategy is to acquire under-explored mineral resource assets, and to work to prove up reserves to prepare for eventual sale, or optioning of their proportional interest. SLI intends on proceeding with its objective of making a new discovery and although the company presently receives gold as a by-product of exploration, the company does not plan to engage in significant mining operations. SLI's flagship project is the 100% owned Tesoro Gold Property in the resource rich Nazca-Ocoña region of southern Peru.

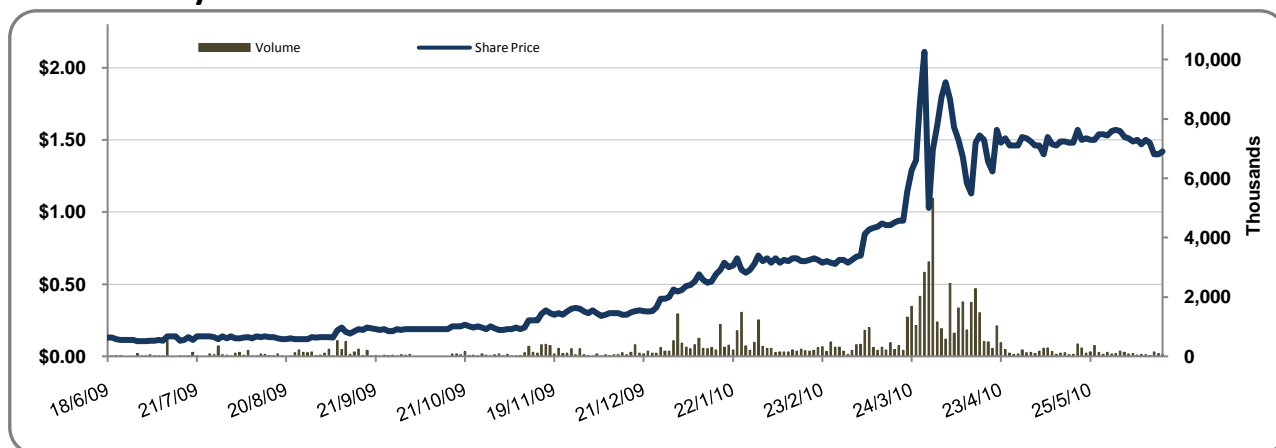
➤ Our investment rationale for SLI is based on the stock's significant 35% discount to our current Net Asset Value per share (NAVPS) estimate, and the attractive return potential relative to our target price of \$2.70. Our NAVPS estimate for SLI represents the value we believe could be un-locked if the company's combined gold resources were to be acquired by larger competitors under current gold market conditions. With zero net-debt, SLI currently enjoys a leverage-free capital structure, and has been able to advance its exploration program at relatively low cash costs; primarily funding activities through the sale of common stock. In the current quarter, SLI was successful in raising \$10M through private placements at a weighted average price of \$1.43/share. As a result, we believe the company should be adequately capitalized to implement its planned 10,000 m drilling program on several priority targets within its Tesoro Gold Property.

➤ Our current price target for SLI is \$2.70 representing 1.25x our NAVPS estimate of \$2.16/share. Our NAVPS estimate is based on management's and our own estimates and assumptions regarding each of the company's projects' potential gold reserves, combined with market-based valuation multiples derived from recent acquisition transactions of mining interests by producing majors. We incorporate an estimate of fully diluted shares outstanding of \$111,086,839 to account for potential future equity issuance to fund SLI's continued exploration & administrative costs. Weighing SLI's significant gold resource potential and relatively low financial risk profile, against the company's early stage of development and lack of revenues or operations, we rate St. Elias Mines *Speculative Buy*.

The price targets presented in this report are based explicitly on a significant number of management's and our own estimates and assumptions. **Make sure to review the "Risk Factors to Price Target" section at the end of this report, as there can be no assurance that our price targets will be met, or whether the assumptions/ estimates regarding actual business outcomes will materialize.**

Price History

source: Capital IQ



Analyst Certification

- I, Robert Fagan, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the issuer and its securities, and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation contained within this report. Opinions and recommendations contained herein are submitted solely for informational purposes, constitute judgments as of the date of this report, and are subject to change without notice.

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- See "Disclaimer" section at the end of this report for important required disclosures, including potential conflicts of interest and ratings system description.

At a Glance: St. Elias Mines Ltd. [TSX-V: SLI]

TABLE 1. Recent Comparable Gold Project Acquisition Transactions by Major Producers

Acquirer	Target	Project	% Acquired	Proportional Reserves (oz.)	Purchase Cost	Purchase Price / Gold Oz.	Date
Goldcorp (TSX:G)	New Gold (AMEX:NGD)	El-Morro Copper/Gold	70%	4.690	\$ 513.00	\$ 109.38	7-Jan-10
Barrick Gold (TSX:ABX)	Arizona Star Resource	Cerro Casale, Chile	51%	5.323	\$ 773.00	\$ 145.23	28-Oct-07
Barrick Gold (TSX:ABX)	Emperor Mines Ltd.	Porgera Joint Venture	20%	1.881	\$ 250.00	\$ 132.91	27-Apr-07
Newmont Mining (NYSE:NEM)	AngloGold (NYSE:AU)	Boddington Project	33%	5.466	\$ 990.00	\$ 181.12	27-Jan-09
Barrick Gold (TSX:ABX)	Teck Resources (TSX:TCK-B)	Hemlo Gold Operation	50%	0.650	\$ 65.00	\$ 100.00	20-Feb-09
Harmony Gold (NYSE:HMY)	Africa Vanguard Capital	Doornkop South	26%	0.318	\$ 52.68	\$ 165.67	19-Mar-10
Alamos Gold (TSX:AGI)	Teck Resources (TSX:TCK-B)	Agi Dagi and Kirazli	100%	1.293	\$ 94.00	\$ 72.70	22-Sep-09
Average Gold Purchase Cost/ Reserve Oz.						\$ 129.57	

Source: Capital IQ as of 06/15/10 and GS estimates

all amounts in millions except for Purchase Price/Gold Oz.

TABLE 2. Molybdenum Comparables Set

Company	Market Cap	Total Ore (T)	Grade	Moly Metal (T)	Moly Metal (million lbs.)	Market Cap/ Resource
Adanac Molybdenum (TSX:AUA)	\$ 6,160,000	275,354,000	0.067%	184,487.18	406.724	0.015
Creston Moly (TSX-V: CMS)	\$ 47,190,000	863,354,000	0.100%	863,354.00	1,903.369	0.025
General Moly (AMEX: GMO)	\$ 264,870,000	492,275,800	0.100%	492,275.80	1,085.282	0.244
Average Market Cap / Moly Resource						0.095

Source: Capital IQ as of 06/15/10 and GS estimates

Since St. Elias has indicated to shareholders that they plan to prove up and eventually option-off or sell their property interests, rather than engage in full scale production, we make use of the transaction-based, average gold purchase price/reserve oz. valuation multiple (derived in TABLE 1. above) in order to determine the potential NAVPS contribution from each of St. Elias's gold exploration projects that could be realized in the case that SLI's interests are acquired by a major producer. In light of SLI's early stage of development, and the fact that the company's potential gold reserves have yet to achieve proven and probable status, we apply a generous discount to the group avg. of \$129.57/oz., and assign a fair value avg. gold purchase cost/ reserve oz. multiple of \$75/oz. For SLI's potential Kettle River Molybdenum reserves, we assign the avg. market cap/ moly resource multiple of 0.095x derived in TABLE 2. to determine the project's NAVPS contribution.

Price Target Methodology

TABLE 3. St. Elias Mines Exploration Projects Overview [^]

Description, Location	Ore Tonnage Est.	Interest	Avg. Grade Est. (oz./ T)	Reserve Est. (oz.)	NAVPS contribution
Tesoro Gold Property, Peru	2,445,300	100%	1.03	2,519,151	\$ 1.701
Vilcoro Gold Property, Peru	n/a	50%	n/a	500,000	\$ 0.338
Cueva Blanca Property, Peru	n/a	100%	n/a	160,000	\$ 0.108
Kettle River Molybdenum, Canada *	22,700,000	49%	0.06%	14,709,055	\$ 0.015
Combined NAVPS estimate					\$ 2.16
18 month+ Target Price @ 1.25x NAVPS					\$ 2.70

Source: management assumptions & GS estimates as of 06/15/10

* Kettle River Moly: avg. grade in %, and resource est. in Lbs

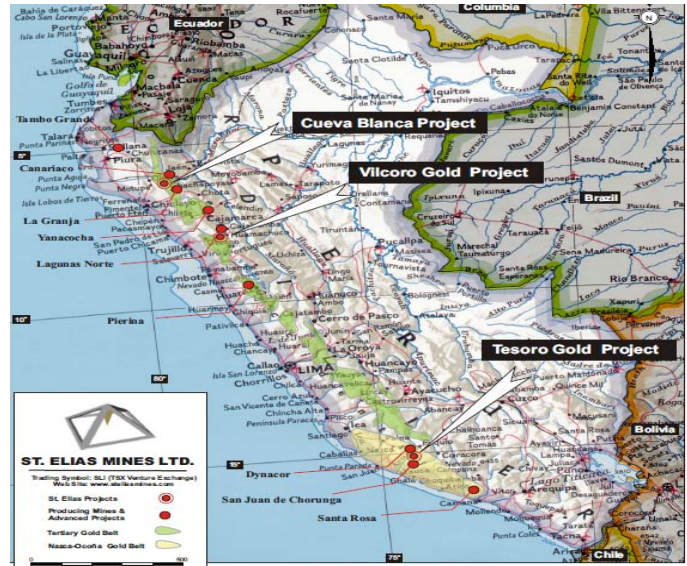
[^] SLI maintains equity interests in other exploration projects not described here, but they do not comprise a material portion of our NAVPS estimate

We incorporate a multiple of Net Asset Value approach to determine our target valuation for SLI. The potential NAVPS contribution from each exploration project is shown in TABLE 3., and is calculated by applying our fair valuation multiples (described in TABLE 1. & 2. above) to each project's proportional reserve estimates. Taking the product of the fair value multiples and reserves gives us an estimate of the market value that the exploration projects could potentially fetch in an acquisition scenario. Dividing then by our estimate of fully diluted shares outstanding (111,086,839) allows us to arrive at a possible NAVPS contribution for each project. Our estimate of FD shares outstanding accounts for SLI's need to raise additional equity capital to pay for what we expect will be continuing annual exploration costs of at least \$1,500,000 over 2010 & 2011, somewhat offset by existing cash and proceeds from the sale of smaller amounts of gold collected as a by-product of ongoing exploration activities. We believe based on recent private placements completed by SLI that equity capital can be raised at \$1.15/share on avg. We then apply a conservative 1.25x NAV multiple to our combined NAVPS estimate to arrive at our 18+ month Target Price of \$2.70. We maintain a somewhat lengthy horizon on our target price to account for what we anticipate will be some time delay before St. Elias completes the necessary exploration work to prove up reserves, and ready them for purchase or option exercise.

Source: St. Elias Mines Ltd.

Gold Exploration Projects Overview

St. Elias Mines currently holds interests of various percentages in several gold and mineral exploration projects including the flagship **Tesoro Gold Property** in southern Peru, which we discuss in further detail below. Also in Peru, SLI owns a 100% interest in the **Cueva Blanca Property**, which has physical characteristics similar to those of Newmont's Yanacocha Mine (+40 million oz. gold). SLI also has a 50% interest in the **Vilcoro Gold Property**, which is favourably located adjacent to Barrick Gold's Lagunas Norte mine (+9 million oz gold). Also notable are 3 significant gold deposits located within 25km of Vilcoro including: Tres Cruces (1.75M oz.); Virgen Deposit (400K oz.); and La Arena (1.99M oz.). Some of the advantages, as described by St. Elias, of operating in Peru is the country's status as a global leader in mining, its government's pro-mining attitude, and the significant potential for additional discoveries as less than 10% of Peru's natural resources are currently being exploited.

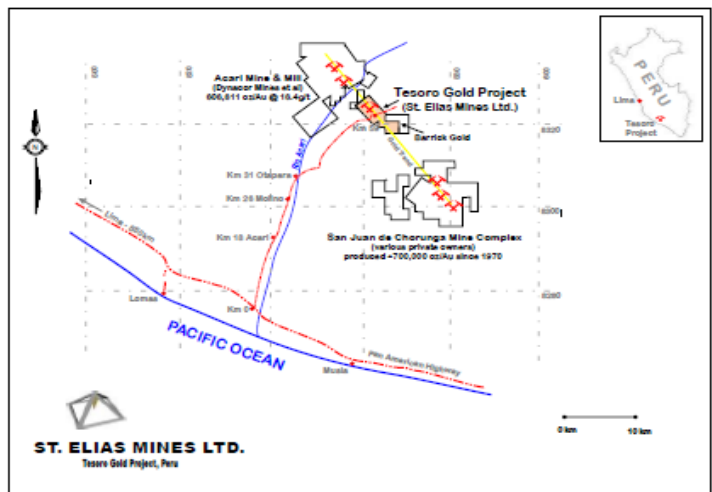
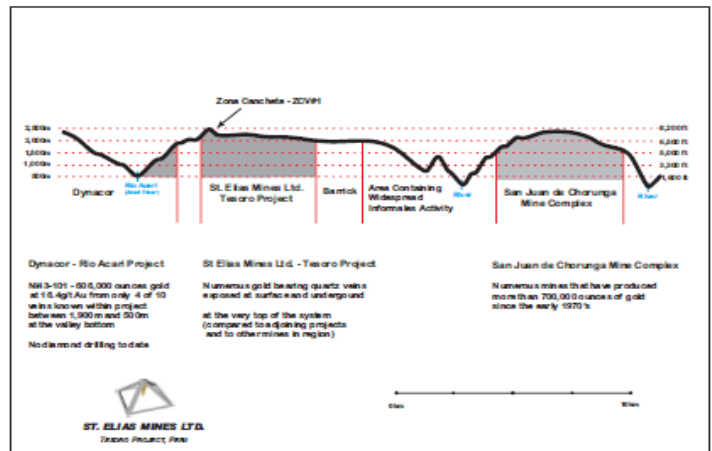


Tesoro Gold Property Summary

Property Description

For the past three years, SLI has focused their exploration efforts on their 100% owned Tesoro Gold Property, as the geological model for the property indicates a total potential resource of 5,000,000 oz. Au. The property covers approximately 5,000 acres and is part of the well-known gold-bearing Nazca-Ocoña belt which has a long mining history dating back to pre-Incan time. The mesothermal veins within the Tesoro Project area tend to be narrow, but the grade is significant and the mineralized structures tend to extend for several kilometres; reaching depths of up to 1,000 meters. Mesothermal veins are known for their large size and continuation to depth. The veins located immediately north of the Tesoro Property are currently being mined by Dynacor (TSX-DYN) who have published an inferred gold resource of 606,611 ounces, grading 16.4 g/t on only 3 of the 10 veins they discovered to date. The veins located immediately south of the Property have been in continuous production since the 1970's and have produced over 700,000 ounces to date. Barrick Gold has recently acquired claims that adjoin St. Elias's Tesoro Property in this southern area. To date, SLI has identified five mineralized zones at the Tesoro Property with more than 50 quartz veins (having a total combined length of 9.5km). The company has carried out underground exploration and development work on three of these veins (C1, C2 and A4) which have produced a total of 1,157 tons of bulk sample material, with average grades of 0.93 oz/t gold. Due to the presence of an existing tunnel structure that pre-dates SLI's acquisition of the claim, the company is able to explore and develop the property at relatively low exploration costs.

Regional X-Section of Tesoro Property and Neighbours



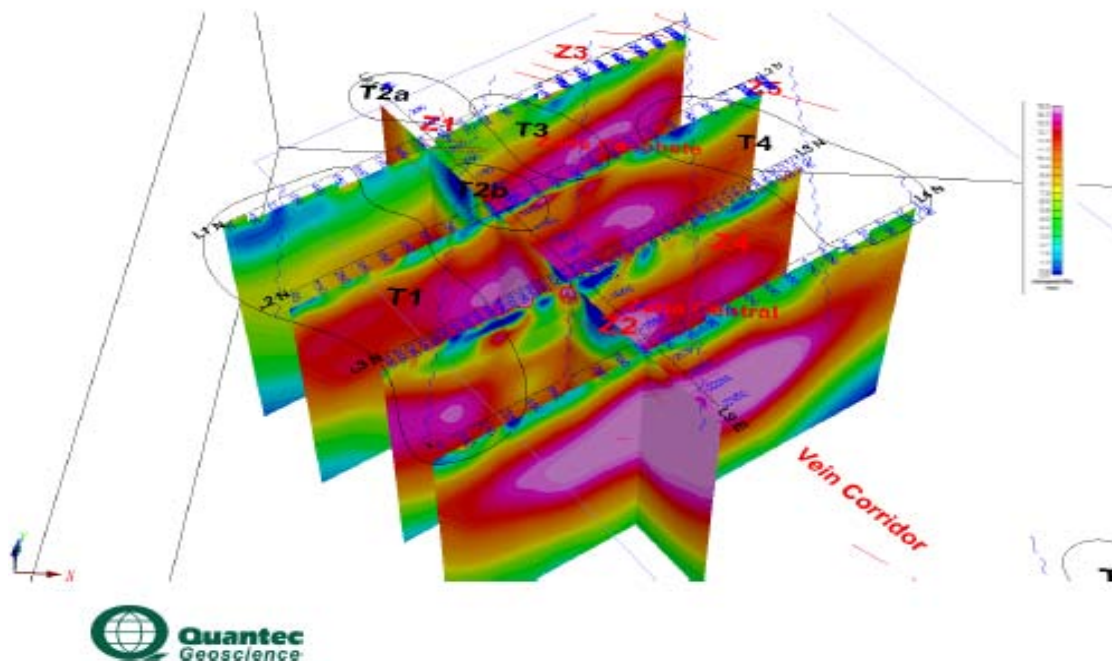
Source: St. Elias Mines Ltd.

1. The projects summary is sourced entirely (except where noted) from discussions with management, company press releases, and public company filings

Results of Titan 24 Geophysical Survey

SLI recently completed Stage 1 and 2 of a Titan 24 Geophysical Survey to assist the company in identifying potential for economic mineralized targets at depths. The two stages of the survey covered approximately 64.8 line kilometres over the entire Tesoro project area. Stage 1 of the survey successfully identified 12 high priority targets and 8 second priority targets for drill testing, as well as an ovoid, or egg-shaped anomaly beneath the A-4 Vein at Zona Central; a known high grade "pod system". The anomaly is approximately 1,450m long x 400m wide and 300-500m thick, and SLI is planning a drill program to further investigate its composition. Stage 2 of the Titan Survey was completed on June 15, and was implemented to cover 18 additional survey lines not previously mapped. The company expects its findings to be released soon.

3D View (Sections along Titan Lines) of the 3D UBC IP Chargeability Inversion Results



Source: St. Elias Mines Ltd.

10,000 Meter Drilling Program & Other Upcoming Exploration Activity

As a result of the positive Survey data, SLI is planning a 10,000-meter drilling program to test the identified high priority targets, and the company is now in the process of completing an Environmental Impact Study ("EIS") which is necessary to obtain the required permitting for the drilling program. A trenching exploration program is also planned to test open-pit disseminated gold zones on the surface which were also identified by the Stage 1 Titan 24 survey. As per SLI's June 22 news release, the company has been successful in utilising the Stage 1 Titan 24 data in combination with recently acquired remote sensing satellite imagery to identify a new structural zone parallel to and similar in size and dimension to the Main Tesoro Structural Corridor. This newly delineated and currently un-tapped structure has been named the "North Corridor", and is defined by a series of coincident geophysical/remote sensing lineaments, evidenced by numerous pits excavated in the past by local miners, as well as 1 of the 5 main mineralized zones previously identified by St. Elias. The company plans to immediately initiate a surface exploration program, consisting of detailed mapping and surface sampling, to define the mineral potential of the North Corridor and then begin exploration through systematic trenching. The Tesoro Property has never been evaluated to depth, or to its full strike potential, and thus leaves significant opportunity for the discovery of additional mineralization.



Tesoro Project Reserves Extrapolation Methodology

St. Elias has currently published a NI 43-101 on the C1 Vein in the Zona Canchete of their Tesoro property claim. The study was performed only on a small section of the vein structure at 100m depth and 100m length. The 43-101 showed inferred mineral resources of 4,290 tonnes, grading 1.04 oz. per ton, with total gold content of 4,460 oz. In order to extrapolate the 43-101 results to arrive at an estimate of the total available ore tonnage at Tesoro, we applied the following methodology as outlined in the table below. We first determined the estimated ore tonnage that could be calculated, according to standard industry practices, on the section of the C1 vein on which the 43-101 study was performed. Comparing the study's actual results with the initial calculation of ore tonnage provided us with a scaling factor that we then applied to determine the total available ore volume of all 50 veins within the Tesoro Project area and vein corridor.

TABLE 4. Tesoro Project Reserve Extrapolation Method

Scaling Factor Determination from Section of C1 Vein

Key Inputs:

Length	100 meters
Width	0.5 meters
Depth	100 meters
Density of host rock (quartz)	2.7 Tonnes/ meter ³
NI 43-101 Inferred Grade	29 grams/tonne

Estimated Ore Tonnage	13,500 tonnes
NI 43-101 Inferred Ore Tonnage	4,290 tonnes
Scaling Factor	32%

Tesoro Project Reserve Estimation

Key Inputs:

Total Corridor Length	9,500 meters
Width	0.5 meters
Vein Depth	600 meters

Estimated Ore Tonnage	7,695,000 tonnes
Scaled Ore Tonnage Estimate	2,445,300 tonnes

Total Tesoro Project Reserves Estimate *	2,519,151 ounces of gold
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* at assumed NI 43-101 grading of 29 grams/ tonne

Source: management and GS estimates

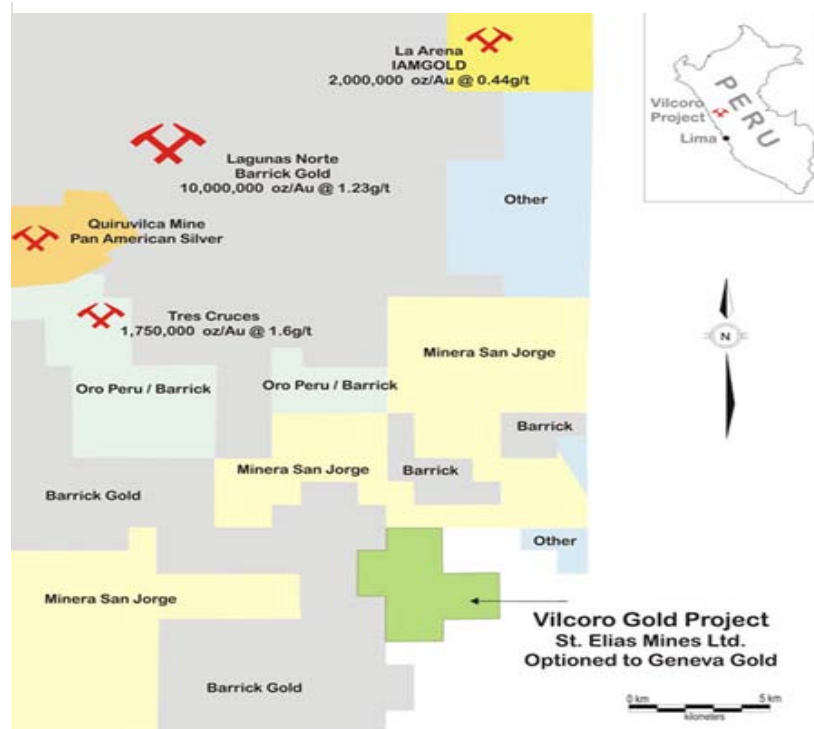
For purposes of our analysis, despite the Tesoro Project's vein structures descending to depths of up to 1000 meters, we conservatively assume an average depth of 600 meters in our ore volume calculations. By multiplying the volume of the vein corridor by the density of the quartz host rock, we arrive at our Estimated Ore Tonnage figure for the entire Tesoro Project, which we then discount by the 32% scaling factor to more accurately reflect inferred results from the 43-101. By applying the 29 g/T grading from the 43-101 to our Scaled Ore Tonnage Estimate, we arrive at our Total Tesoro Project Reserves Estimate of 2,519,151 ounces of gold.

Vilcoro Gold Property Summary

Property

St. Elias has a 50% interest in the Vilcoro Gold Property located in Santiago de Chuco area, also in Peru. The Vilcoro Gold Property comprises 4,000 acres and lies along the same geological belt of tertiary rocks that hosts many multi-million-ounce deposits in northern Peru. They include; Newmont's Yanacocha Mine (+40 million oz. gold), both Barrick's Lagunas Norte Mine (+9 million oz. gold) and their Pierina deposit (8 million oz. gold), Tres Cruces (1.75 million oz gold), La Arena (1.99 million oz gold); and Santa Rosa Mine (producing approx. 80,000 oz/gold per yr). The Property is favourably located adjacent to Barrick's 1,350 km² exploration claim block that surrounds their Lagunas Norte Mine. Access to the property is excellent with a well maintained gravel road connecting the region's main town (Santiago de Chuco) with the Pan-American Highway.

Vilcoro Project Region and Surrounding Deposits/Mines



Exploration Results

A recent exploration program on the property confirmed widespread disseminated gold mineralization within two mineralized trends on the Property (the Main Trend and the South Trend). The Main Trend has been traced for a strike length of 1,900 meters over a cross-strike average width of 60 meters and across a vertical grade of 450 meters. The average grade of the 232 samples collected from the Main Trend was 0.86g/T gold. Since SLI does not currently have an available NI 43-101 for its Vilcoro Property, we are forced to revert to a more simplified method of resource estimation. Using the dimensions and grading indicated above subject to appropriate discounts, our volume calculation, and using the density of quartz as the host rock, **we arrive at a total estimated reserve potential for the Vilcoro Project of approx. 1,000,000 oz gold, of which SLI is entitled to 50%.**

In addition, another important result of the exploration program was the identification of an area of anomalous soils carrying up to 0.49g/T gold, 2,647ppm manganese, 557ppm arsenic, 249ppm antimony and 2.01ppm mercury. This, according to St. Elias Mines, is precisely the "signature" of anomalous elements in the underground tunnel samples, suggesting that mineralization extends not only to depth but on surface both to the east and west. The second half of the exploration program is continuing with an emphasis on determining the extent of the mineralized zones by detailed soil sampling and trenching.

SLI currently has an option agreement with Ansell Capital Corp. to acquire a 65% interest in the Vilcoro Gold Property, subject to 1.5% NSR (net smelter royalty), for cash consideration of \$500,000, plus 1,000,000 shares of Ansell and \$2.5M in exploration expenditures.



Cueva Blanca Project Summary

St. Elias Mines currently maintains a 100% interest in the Cueva Blanca Gold Project which covers three contiguous mineral concessions comprising 3,000 acres in northern Peru. The property was originally staked for its large epithermal alteration system developed in Tertiary volcanic rocks, which are similar to those that host Newmont Mining's Yanacocha Mine (large resource totalling 40+ millions oz. gold). There is a vein system near the surface at Cueva Blanca, and thus far it has been explored with limited shallow drilling (max. depth 100m) and trenching. **The result is that the company has generated an internal reserve estimate for the project of 160,000 oz gold.**

SLI currently has an option agreement with Amarak Resources Inc. to acquire a 60% interest in the Cueva Blanca Project, subject to a 1.5% NSR, for cash consideration of \$200,000, plus 100,000 shares of Amarak and \$1.5M in exploration expenditures.

Kettle River (Carmi) Molybdenum Property - B.C., Canada

St. Elias currently holds a 49% interest in the Kettle River Molybdenum Property, which covers 7,184 acres and is located within the prolific Beaverdell Mining Camp of south-central British Columbia, Canada. The remaining 51% of the property is owned by Hi Ho Silver Resources Inc. The property encompasses at least 3 zones of porphyry style molybdenum mineralization, and to date 221 drill holes have been completed on the property, totalling nearly 100,000 feet. Data compiled by a recent 43-101 report confirms the existence of the three mineralized zones mentioned above. The 43-101 report also determined that two zones, the Lake Zone and the E Zone, have **molybdenum deposits which are near or at the surface, and have a combined drill inferred mineral resource of approx. 22,700,000 tons, grading 0.092% MoS₂. For purposes of our analysis we have assumed a lower avg grade of 0.06% to approximate the actual moly metal reserve, however the impact is not significant since Kettle River does not comprise, a material portion of our NAVPS valuation for SLI.** These two zones are open pit style resources, while the third zone comprises an underground high-grade zone located beneath the Lake Zone. The third zone is estimated to contain 5 million tons grading approximately 0.33% MoS₂.

St. Elias has entered into a Letter Agreement with Hi Ho whereby SLI has granted the option to Hi Ho to acquire the remaining 49% interest in the property for cash consideration of \$750,000, a 1% net smelter royalty, plus 3,500,000 shares of Hi Ho Silver Res. Also, in the event that Hi Ho sells an interest in the Property to a third party, St. Elias shall receive a portion of the proceeds (cash and/or shares) realized from such a sale. Hi Ho will continue to work with St. Elias Mines as a key strategic partner moving forward in its ongoing efforts to develop the Carmi project to its fullest potential.

Other Exploration Projects

St. Elias also maintains interests in several other exploration properties in B.C., Canada, including; a 100% interest in the **South Rim Property** (high grade molybdenum, copper & gold), and a 100% interest in the **Beaverdell Gold/Silver Property**. Currently, SLI is seeking a joint venture partner for the South Rim Property, and the Beaverdell Property has been 100% optioned to Intigold Mines Ltd. **At this time we do not accrue any value to our NAVPS estimate from these two projects.**



Gold Prices and Gold Market Fundamentals

Gold prices are inherently volatile, and although St. Elias operations are not directly impacted by spot prices, any significant decline in gold prices, or a deterioration in the outlook for gold market fundamentals, could negatively impact potential acquirers appetite for risk and willingness to engage in transactions, or reduce the avg. gold purchase cost/ reserve oz. multiple we have employed in our NAVPS valuation model. These circumstance also have the potential to negatively impact investors willingness to invest in private placements for gold exploration companies in general, and thus could reduce SLI's ability to finance their planned future exploration activities. Either of these cases would materially affect our price target calculations for SLI.

Acquisition Environment and Access to Credit

Any general deterioration in the acquisition environment for gold exploration projects, and/or related reductions in the availability of credit, could have the effect of reducing the multiple potential acquirers are willing to pay per reserve oz., and would negatively impact our price targets accordingly.

Reserve Estimates and Average Gold Purchase Cost/ Reserve Oz. Multiple

As of the date of this report, none of SLI's potential gold or molybdenum deposits are considered proven and probable, and as a result there are inherent inaccuracies associated with our potential reserve estimates for SLI's various projects and property interests. Since material adjustments are likely to be made to our reserve estimates as the company's exploration activities progress, and as we get more accurate readings on ore bodies, our price targets will be materially affected as a result. Also there is a tendency for major producers to pay less per reserve oz. when acquiring resources that have not yet been proven, and although we have applied a generous haircut to the market multiple we derived, there can be no assurance our chosen multiple is appropriate, or whether SLI will be able to, on average, realize the associated implied valuation for their gold or moly projects.

Higher than Expected Costs could cause equity dilution

In the case that exploration costs exceed our expectations, or if additional un-anticipated drilling programs or other most costly exploration methods are employed by SLI in the near future, it would likely result in the company issuing additional common shares in order to finance such activities. In that situation, our estimate of fully diluted shares outstanding would be understated, and result in a material impact on our price target.

Potential for Significant Resource Discovery

A significant, un-anticipated resource discovery on any of SLI's projects and/or property interests would cause our price target to be too conservative, given our reserve estimates, and chosen valuation multiple would be potentially understated.

The accompanying list of risk factors is NOT intended to be all inclusive, but rather highlights several of the more important risks investors should consider in conjunction with our target price analysis. Our price objective is based EXPLICITLY on various assumptions and estimates, and should actual outcomes differ from management's or our own forecasts, it could result in our price target being significantly impacted either negatively or positively.



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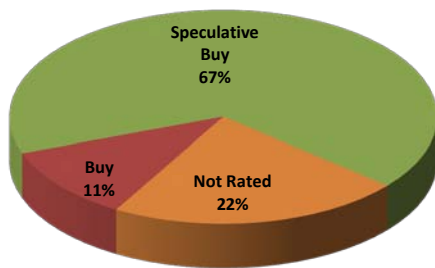
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